Fundación SOL
ISSN 0719-6695

Trade Unions and Collective Bargaining in Chile

National Statistical Overview and Comparative Evidence 2024
(English Version)

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Working Paper of the Area of Unions and Collective Bargaining

Working Paper

Trade Unions and Collective Bargaining in Chile
National Statistical Overview and Comparative Evidence 2024

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July 2025

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Executive Summary

Based on available data from public agencies, this study provides a national and comparative overview of the current state of trade unions and collective bargaining in Chile. It concludes with a discussion of the relationship between collective bargaining and income inequality.

Main findings:

- Union density in the private sector peaked at 39.5 % in 1971.
- The Labour Plan, imposed in 1979 and still in effect in its core aspects, marked a radical shift that severely restricted workers' collective rights through four key pillars: 1) Strike action that does not stop production: Until 2016, employers were allowed to replace striking workers. Additionally, individual workers could opt out of strike action, and strikes outside formal collective bargaining were prohibited. 2) Company-level bargaining only: Collective bargaining was restricted to the enterprise level, preventing broader negotiations that might promote income redistribution. 3) Extreme organisational pluralism: The system encouraged fragmentation, allowing multiple trade unions and bargaining groups to operate in parallel and in competition with one another. 4) Union depoliticisation aimed at fostering an individualistic culture in the workplace.
- Post-dictatorship union density peaked in 1991 and 2020, reaching 21.2 % and 22.2 % respectively. However, by 2023, the unionisation rate had declined to 19 %, with the Maule, Araucanía, and Coquimbo regions reporting figures below 11 %.
- Trade union fragmentation remains high: 51.3 % of nearly 9,000 active unions – including 'company', 'inter-company', 'establishment' and 'temporary' unions - have 50 or fewer members.
- Collective bargaining coverage reached a post-dictatorship peak of 16.4 % in 1992 (based on the biannual accounting method), but fell to 13.9 % by 2023.
- Since 1990, the quality of collective bargaining in Chile has progressively declined. A key indicator of this trend is the growing prevalence of collective agreements - which do not confer the right to strike - as opposed to collective contracts, which do. The share of workers covered by such agreements nearly tripled between 1990 and 2023, increasing from around 13 % to close to 35 % of all those engaged in collective bargaining.

- In addition to the low levels of collective bargaining coverage, the few workers who do bargain collectively receive real wage increases of less than 1 %. Furthermore, strike action is no longer viewed as a key tool for improving working conditions, reflecting the dismantling of its historical role.
- In comparative terms, it is possible to conclude that out of 23 OECD countries for which data is available, 21 permit multi-level collective bargaining (at company, sectoral, or national levels), with sectoral bargaining leading to coverage rates above 60 %.
- Structural shifts away from sectoral bargaining occurred only in Chile, Ireland, and Romania, where reforms limited bargaining exclusively to the company level.
- Empirical evidence indicates a causal relationship between collective bargaining and income distribution: countries with higher levels of unionisation and collective bargaining coverage tend to exhibit lower levels of income inequality. Key studies include work by Mishel, Card, Keune, Bosch, Freeman, and Dustmann.

1. Introduction

Nearly 45 years have passed since the imposition of the Labour Plan and almost seven years since the last labour reform promoted by the second administration of former President Michelle Bachelet. In October 2019, a popular uprising triggered a period of profound questioning of the established order; particularly the outcomes of the so-called 'Chilean economic model' and its impact on the lives of the working class. This process was interrupted in March 2020 by the onset of the COVID-19 pandemic.

This study examines the state of trade unionism in Chile within an international context. It seeks to answer the following key questions: How have union density and collective bargaining coverage evolved over time? How does these patterns vary across different regions? To what extent are unions fragmented? And how does Chile compare with other countries?

The state of trade unions and the peculiarities of the country's industrial relations system play a crucial role in analysing and understanding the contradictions at the core of the so-called 'Chilean model'.

At the international level, collective bargaining is widely recognised as a central mechanism through which trade unions influence income distribution. In Chile, however, this effect is notably absent. This study presents evidence to explain, at least in part, why that might be the case.

Data for this analysis have been drawn from multiple sources. National figures were processed from labour force surveys and administrative record databases provided by the Labour Directorate. We also reviewed existing studies and gathered comparative data from international sources such as the United States Bureau of Labor Statistics, the International Labour Organization (ILO), and the Organisation for Economic Co-operation and Development (OECD), among others.

The remainder of this article is structured as follows: Section 2 presents a national overview of trade union membership and collective bargaining. Section 3 discusses the international context. Section 4 analyses the relationship between income inequality and collective action. Section 5 concludes.

2. National Overview

Prior to the military coup of 1973, Chilean trade unionism underwent what is often described as its *'ascending period'* in the country's labour history. Between 1964 and 1971, union density increased by an average of three percentage points per year, reaching a peak of 39.5 % in the private sector during the administration of President Salvador Allende. Had this trend continued, Chile was projected to reach a unionisation rate of nearly 50 % by the early 1980s. However, history took a different course.

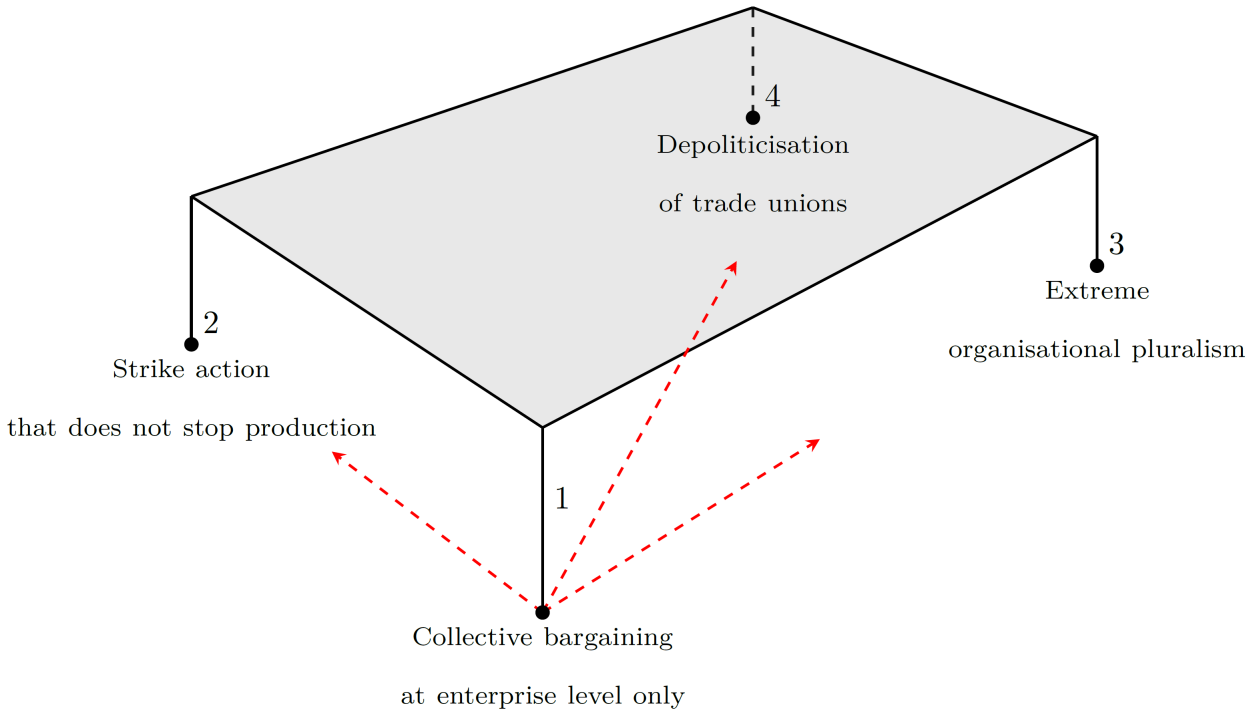
Figure 1: Trade union density (private sector), 1960 - 2022

Source: Authors' own elaboration based on Durán (2022). data are drawn from statistical compendiums published by the Directorate of Labour and from employment surveys. In this visualisation, the unionisation rate has been harmonised to allow for improved temporal comparison.

Following the 1973 coup d'état, collective bargaining in Chile was prohibited. In 1979, a new legal framework regulating trade union activity was introduced. Although the formal right to collective bargaining was reinstated, it was situated within a fundamentally altered institutional context.

Trade union activity was both constrained and structurally transformed. The Labour Plan, implemented in 1979 under the direction of José Piñera, then Minister of Labour and Social Security, established the foundation for a new model of collective labour rights. This model, based on four core principles, continues to underpin Chile's labour relations to this day.

Figure 2: Pillars of the 1979 Labour Plan



Source: Authors' own elaboration based on Narbona (2015).

The **first pillar** centres on collective bargaining being confined exclusively to the enterprise level and not involving income redistribution. This framework restricts the freedom of workers to negotiate beyond the boundaries of their individual workplaces—whether by sector, industry, or occupation. This pillar forms the foundation of the entire system and has yet to be dismantled[1].

[1]Prior to 1973, there were instances of collective bargaining beyond the enterprise level, including sectoral-level negotiations. Notable examples include the Collective Agreement of the Leather and Footwear Industry, as well as sectoral collective bargaining within the mining industry.

The **second pillar** concerns strike action that does not stop production, as it permits the replacement of striking workers and confines the strike strictly within the framework of 'regulated' collective bargaining. Although this pillar was somewhat weakened by the labour reform introduced under former President Bachelet, it cannot be said to have been dismantled. Between 1979 and 2016, Chilean legislation allowed the replacement of striking workers; a practice technically referred to as 'strikebreaking' or 'scabbing', which is largely absent in advanced capitalist countries. The 2016 labour reform eliminated this provision; however, it introduced the requirement of 'minimum services under all circumstances'. As a result of this change, unions engaging in strike action are now obliged to provide emergency teams composed of their own members to ensure the continued operation of the company during the dispute. In practice, this means that the logic of a strike that does not fully halt production remains in place.

The **third pillar** refers to extreme organisational pluralism, which allows for the existence of bargaining groups that may undermine or inhibit the formation of trade unions within a company. In addition, it fosters an exaggerated form of pluralism among unions themselves. The 2016 reform also sought to temper this pluralism by introducing limits on the indiscriminate formation of trade union organisations.

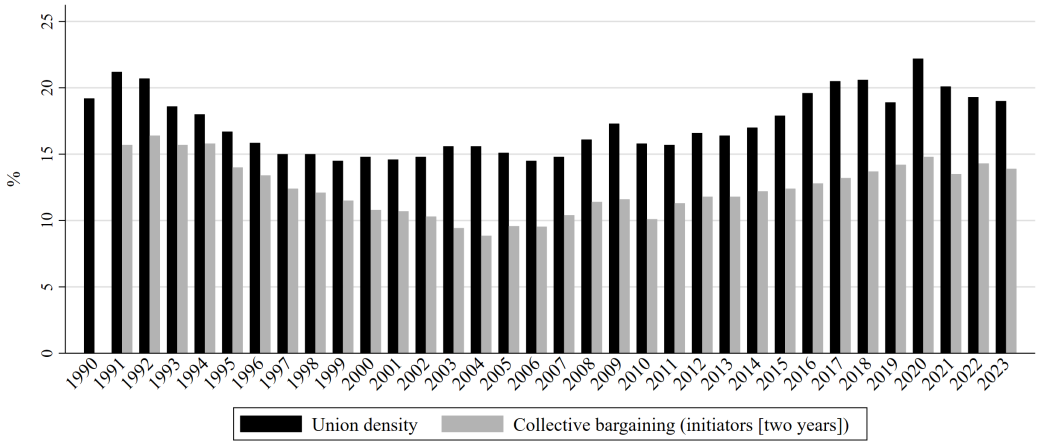
Finally, the **fourth pillar** concerns the depoliticisation of trade unions and the promotion and reinforcement of an individualistic culture. From this perspective, trade unions —if tolerated at all as a necessary evil— should concern themselves solely with issues arising within their immediate workplace. They are not to engage with broader national challenges, the demands of other workers, or aspirations to contribute to the construction of an alternative social order. This pillar remains intact.

The effects of the Labour Plan have proven enduring, contributing to the restoration and consolidation of power for Chile's capitalist class.

According to statistics published by the Directorate of Labour, the highest levels of unionisation following the dictatorship were recorded in 1991 and 2020, with rates of 21.2 % and 22.2 %, respectively (see Figure 3, next page). In terms of collective bargaining coverage, the peak occurred in 1992, reaching 16.4 % of salaried workers (ibid.). By 2023, both unionisation and collective bargaining coverage had declined by nearly three percentage points from their respective peak years.

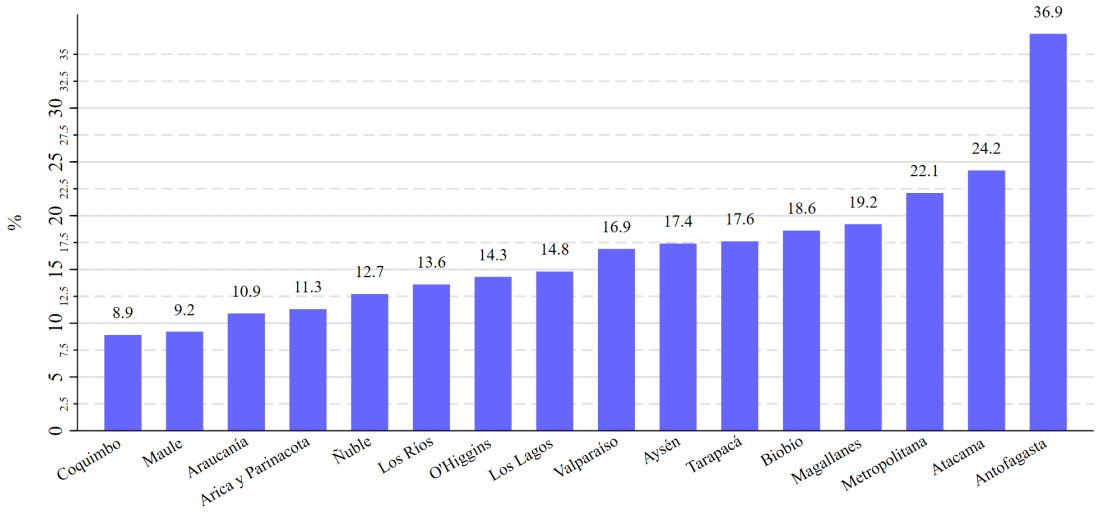
Unionisation rates in the regions of Coquimbo, Maule, and Araucanía remain below 11 %, while only in the regions of Antofagasta, Atacama and Metropolitana does coverage exceed 20 % of salaried workers (see Figure 4).

Figure 3: Trade union density and collective bargaining coverage of workers who initiate collective instruments in Chile 1990 - 2023



Source: Authors' own elaboration based on the 2023 Compendium of Trade Union Statistics (latest available edition, consulted on 16 July 2025), chapters on unionisation and collective bargaining. The 1996 unionisation rate corresponds to the average of the years 1995 to 1997. The unionisation rate presented here refers to the private sector of the economy (with unionisation potential). The coverage rate shown corresponds to those initiating collective agreements, using the biennial method (i.e. the sum of initiators over two years).

Figure 4: Union density by region, 2023

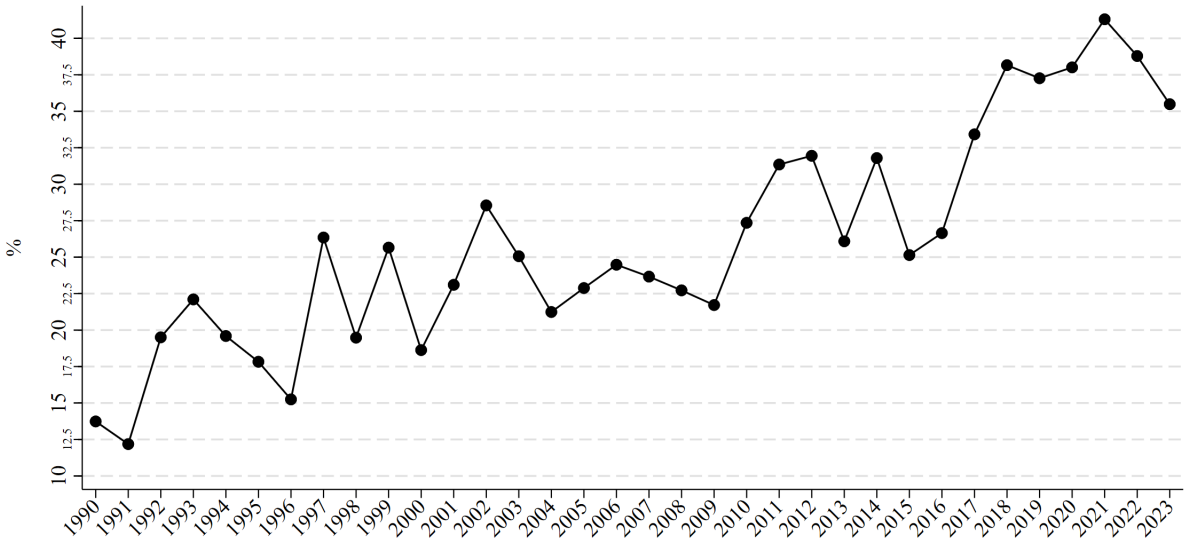


Source: ibid.

Collective bargaining 'without the right to strike'

In addition to the persistently low rate of collective bargaining coverage, the period between 1990 and 2023 saw a notable increase in the number of workers covered by collective *agreements* -which do not confer the right to strike- as opposed to collective *contracts*, which do[2]. The proportion of salaried workers covered by such agreements nearly tripled, rising from approximately 13 % to nearly 35 % of all those engaged in collective bargaining.

Figure 5: Percentage of employees by collective labour agreements (without the right to strike), relative to the total number of individuals engaged in collective bargaining (both with and without the right to strike) through trade unions



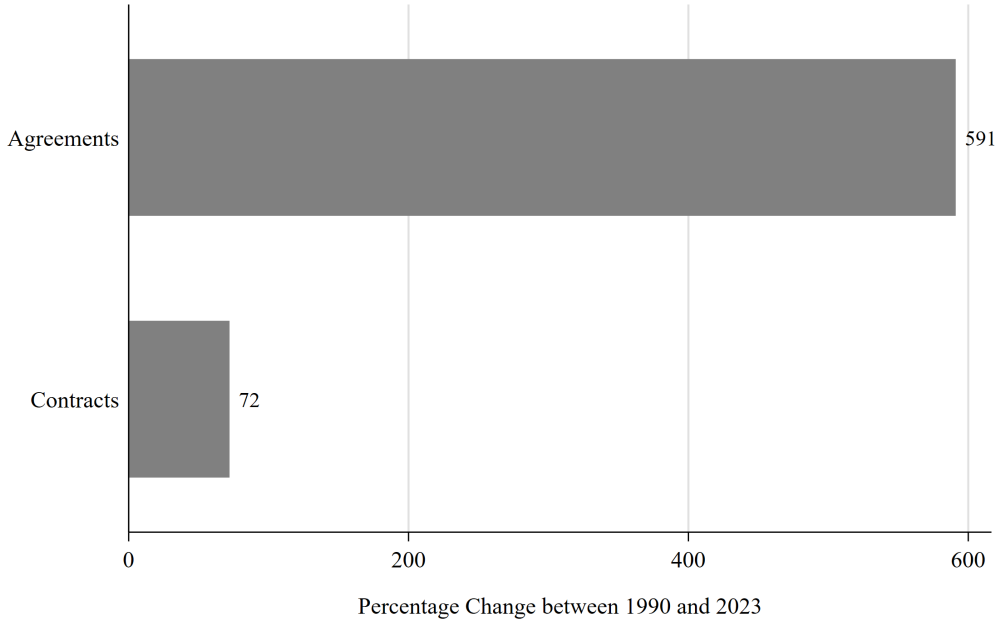
Source: Authors' own elaboration based on the 2023 Compendium of Trade Union Statistics (latest available edition, consulted on 16 July 2025), chapter on collective bargaining, figure 3.

A comparison between the number of workers covered by collective bargaining in 2023 and in 1990 reveals a stark contrast in growth trajectories. While the number of workers covered by collective *contracts* increased by 72 %, those covered by collective *agreements* grew by nearly eight times that figure.

[2]Although there have been instances in Chile of collective bargaining processes that have gone beyond the legal framework —resulting in the signing of collective agreements that have not necessarily yielded negative outcomes for workers— these remain exceptional cases. Such instances have generally occurred in high-productivity sectors such as mining, where workers possess substantial structural power.

The rising prevalence of collective agreements over collective contracts represents a further precarisation of the collective bargaining process. This is due to the fact that participants in such agreements are not guaranteed the right to strike or legal protections such as union immunity. Given the structural weakness of labour in Chile, this trend likely places workers in an extremely vulnerable position.

Figure 6: Evolution in the Number of Workers Covered by Collective Bargaining, by Type of Instrument (contracts vs. agreements): Percentage Change between 1990 and 2023



Source: Authors' own elaboration based on the 2023 Compendium of Trade Union Statistics (latest available edition, consulted on 16 July 2025), chapter on collective bargaining.

Size of trade union organisations

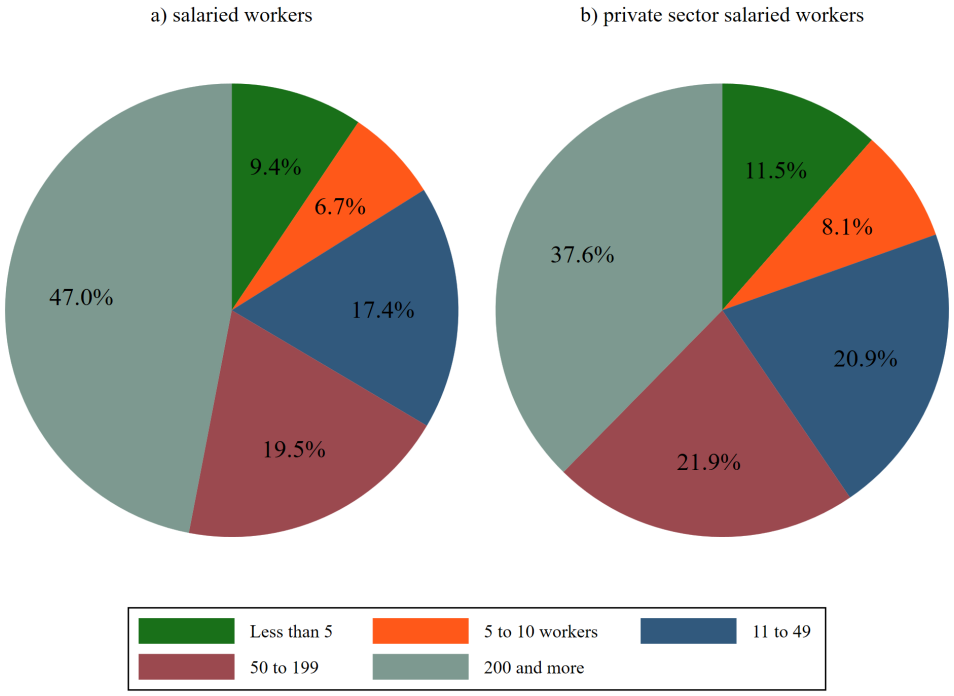
Table 1: Number of Active Trade Unions by Region and Size of Active Unions by Membership Bracket

Region	37 or less	38 to 50	51 a 100	101 to 200	200 and more	Total
Tarapacá	61	25	43	17	21	**167**
	36.5 %	*15.0 %*	*25.7 %*	*10.2 %*	*12.6 %*	**100 %**
Antofagasta	193	73	157	100	95	**618**
	31.2 %	*11.8 %*	*25.4 %*	*16.2 %*	*15.4 %*	**100 %**
Atacama	61	33	51	30	27	**202**
	30.2 %	*16.3 %*	*25.2 %*	*14.9 %*	*13.4 %*	**100 %**
Coquimbo	103	29	51	23	25	**231**
	44.6 %	*12.6 %*	*22.1 %*	*10.0 %*	*10.8 %*	**100 %**
Valparaíso	461	127	188	113	102	**991**
	46.5 %	*12.8 %*	*19.0 %*	*11.4 %*	*10.3 %*	**100 %**
O'Higgins	148	51	66	50	40	**355**
	41.7 %	14.4 %	18.6 %	14.1 %	11.3 %	**100 %**
Maule	145	35	70	43	25	**318**
	45.6 %	11.0 %	22.0 %	13.5 %	7.9 %	**100 %**
Biobío	324	111	206	125	94	**860**
	37.7 %	12.9 %	24.0 %	14.5 %	10.9 %	**100 %**
Araucanía	117	37	48	30	27	**259**
	45.2 %	14.3 %	18.5 %	11.6 %	10.4 %	**100 %**
Los Lagos	184	52	105	61	35	**437**
	42.1 %	*11.9 %*	*24.0 %*	*14.0 %*	*8.0 %*	**100 %**
Aysén	35	13	13	6	3	**70**
	50.0 %	*18.6 %*	*18.6 %*	*8.6 %*	*4.3 %*	**100 %**
Magallanes	64	20	25	12	9	**130**
	49.2 %	*15.4 %*	*19.2 %*	*9.2 %*	*6.9 %*	**100 %**
Metropolitana	1,358	392	794	513	621	**3,678**
	36.9 %	*10.7 %*	*21.6 %*	*13.9 %*	*16.9 %*	**100 %**
Los Ríos	58	18	40	17	17	**150**
	38.7 %	*12.0 %*	*26.7 %*	*11.3 %*	*11.3 %*	**100 %**
Arica y Parinacota	34	10	15	9	8	**76**
	44.7 %	*13.2 %*	*19.7 %*	*11.8 %*	*10.5 %*	**100 %**
Ñuble	66	24	39	24	11	**164**
	40.2 %	*14.6 %*	*23.8 %*	*14.6 %*	*6.7 %*	**100 %**
Total	**3,412**	**1,050**	**1,911**	**1,173**	**1,160**	**8,706**
	39.2 %	**12.1 %**	**22.0 %**	**13.5 %**	**13.3 %**	**100 %**

Source: Authors' own elaboration based on administrative records from the Directorate of Labour, extracted in December 2023. SIRELA. This analysis includes only active trade unions in the private sector.

Another phenomenon that illustrates the state of trade unionism in Chile relates to the high levels of fragmentation observed. Currently, there are 8,706 active enterprise, inter-enterprise, establishment, and temporary trade unions. However, 51.3 % of these have 50 or fewer members, and only 26.8 % have more than 100 members. In the regions of Valparaíso, Araucanía, Aysén, and Magallanes, approximately 60 % or more of unions have no more than 50 members.

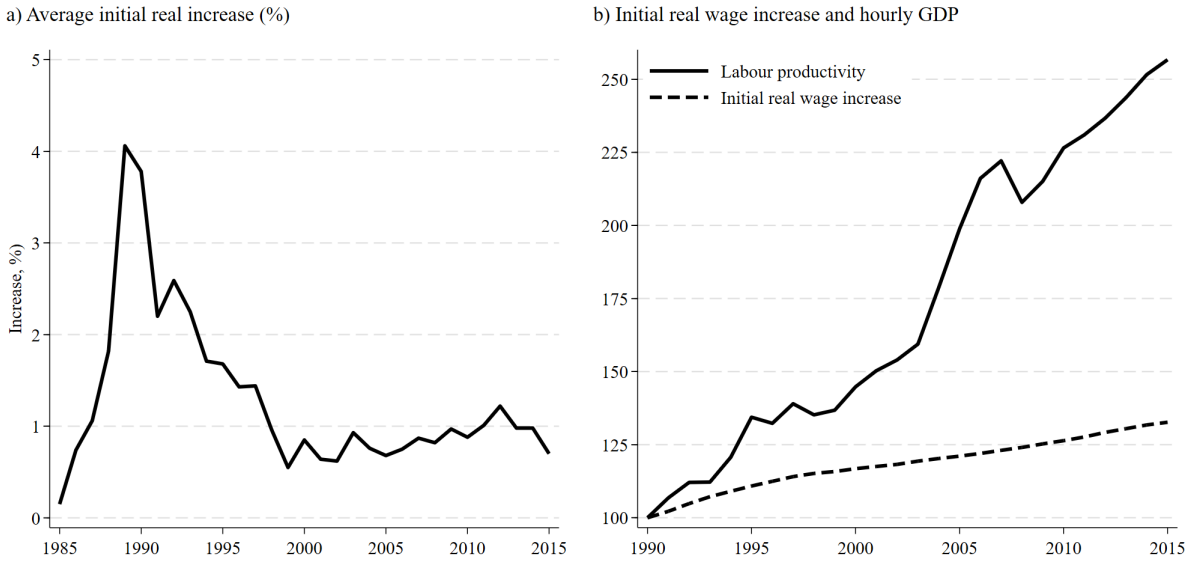
Figure 7: Salaried workers by enterprise size



Source: Authors' own elaboration based on microdata from the National Employment Survey (INE). Reference period: October–December 2024.

It is important to highlight that, according to recent data from the National Employment Survey (October–December 2024 quarter), 47 % of salaried workers are employed in large enterprises—defined as those with 200 or more employees—while only 33.5 % work in micro or small enterprises, that is, those with fewer than 50 employees. Focusing solely on the private sector, 60 % of salaried workers are employed in large or medium-sized enterprises (those with between 50 and 199 employees).

Figure 8: Average initial real wage increase (%)



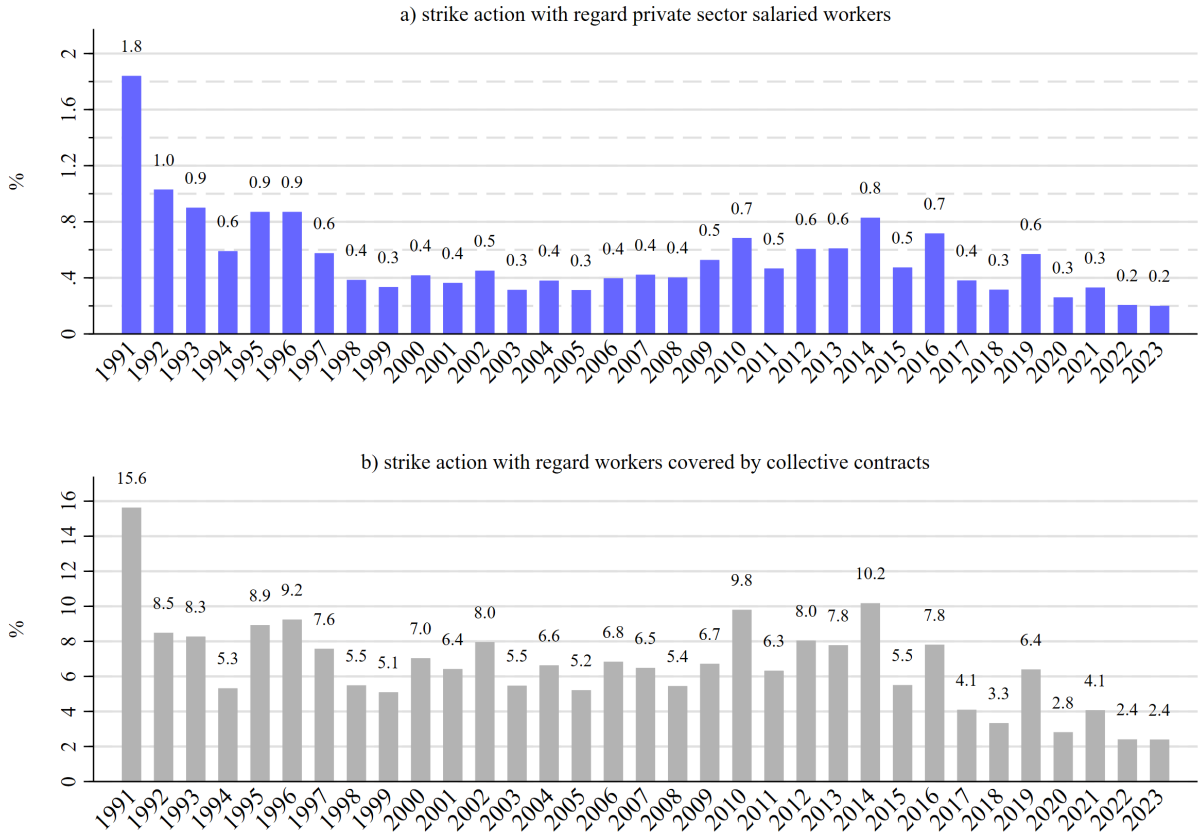
Source: Durán (2022), Figures 6.13 a and b. Authors' own translation. Original sources: Maturana and Mac-Clure (1992), Durán (2009), Fundación SOL (2010). Figures post-2013 are projections by Escobar (2017).

In addition to the low levels of collective bargaining coverage, the small proportion of workers who do engage in bargaining in Chile receive only marginal wage increases[3]. While in 1990 the average initial real wage increase was approximately 4 %, from 1998 onwards this figure has declined to around 1 %. Notably, between 2013 and 2015 - using methodologies not directly comparable with earlier years – increases fell below 1 %. One of the main consequences of these poor outcomes can be seen in the following contrast: while labour productivity in Chile increased by over 150 % between 1990 and 2015, the real wage increases obtained through collective bargaining rose by only 33 %.

[3]This indicator, which was an official record produced by the Directorate of Labour, was discontinued in 2013.

Participation in 'legal strikes'

Figure 9: Participants in Concluded Strikes as a Percentage of Total Salaried Workers and of Workers Engaged in Collective Labour Contract Negotiations (%)



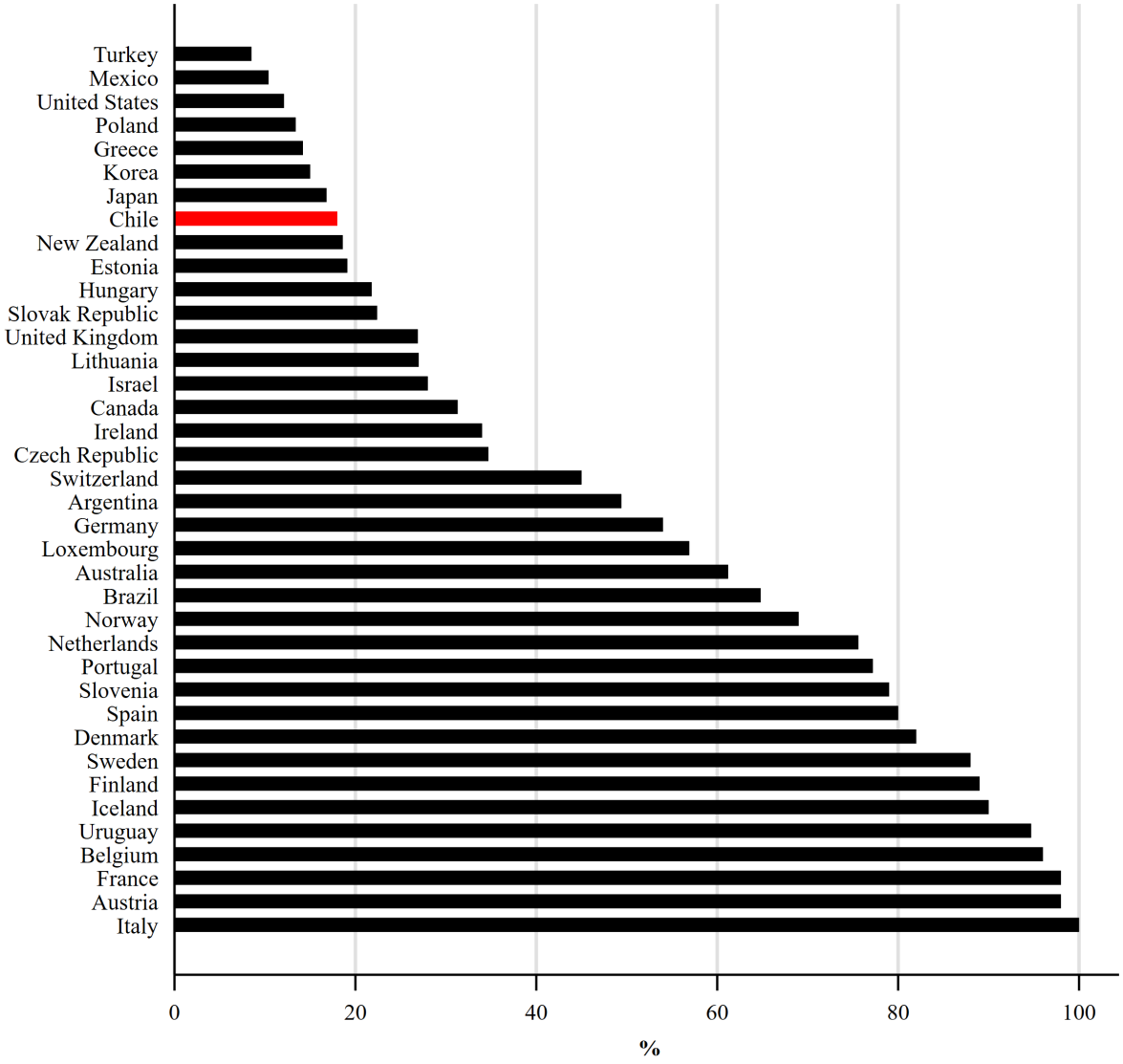
Source: Authors' own elaboration based on the Compendiums of Trade Union Statistics and microdata from the National Employment Survey (INE); the reference period is the October–December moving quarter of each year.

With regard to strike action, it is notable that over the past 30 years, on average, fewer than 0.6 % of salaried workers have engaged in or participated in this legally recognised mechanism. An analysis of data since 1991 reveals that the peak occurred in that year, with 1.8 % participation, where as by 2023 the figure had declined to just 0.2 % of private sector salaried workers.

If we consider only those workers covered by a collective labour contract, participation in legal strikes has remained below 10 % annually—with the exception of 1991 and 2014. This low participation may be attributed to the limited impact that workers perceive strikes to have on improving working conditions and wages. In Chile, strike action has historically been weakened by the legality of replacement workers (and more recently, the imposition of minimum service requirements in all cases), the possibility of employers opting out ('descuelgue'), and the restriction of strike action exclusively to the collective bargaining period at the enterprise level. These conditions have significantly diminished both the scope and power of the right to strike.

3. Comparative Overview

Figure 10: Percentage of Workers Engaged in Collective Bargaining (2019 or Latest Available Year), OECD Countries plus Uruguay, Argentina, and Brazil



Source: Authors' own elaboration based on OECD-AIAS, ICTWSS (September 2023), and ILOSTAT (online). For ICTWSS, the variable used is adjusted coverage, defined as the proportion of employees in dependent employment covered by a collective labour instrument, relative to the total number of dependent employees with bargaining potential (i.e., not theoretically excluded from collective bargaining).

In general, statistics on the percentage of workers participating in collective bargaining reveal considerable heterogeneity. The data confirm that Northern European countries, particularly those in the Scandinavian region, achieve very high levels of coverage. In contrast, English-speaking countries (such as the United States, New Zealand, the United Kingdom, and Canada) are characterised by comparatively lower collective bargaining coverage.

Table 2: Level and Percentage of Collective Bargaining and Employment Rate, OECD Countries

Country	**Nwide**	**Swide**	**Local**	**% CB**	$\mathbf{ER}_{2019}^{15\text{-}64}$	$\mathbf{ER}_{2022}^{15\text{-}64}$	$\mathbf{ER}_{2019}^{15+}$	$\mathbf{ER}_{2022}^{15+}$	**TS**
Austria		xxx	x	98,0 %	73,4 %	73,7 %	58,5 %	58,4 %	26,8 %
Belgium	xxx	xx	x	92,8 %	65,3 %	66,5 %	51,5 %	52,0 %	52,3 %
Czech R.		xx	xxx	31,0 %	75,1 %	75,4 %	59,2 %	58,5 %	11,8 %
Denmark		xx	xxx	82,0 %	75,0 %	76,8 %	59,2 %	60,6 %	66,3 %
Finland		xxx	x	91,0 %	72,9 %	74,3 %	55,4 %	57,0 %	63,5 %
France	x	xx	xxx	94,0 %	66,1 %	68,6 %	50,6 %	52,1 %	9,0 %
Germany		xxx	xx	55,5 %	76,7 %	76,9 %	60,0 %	59,3 %	16,9 %
Greece	x	x	xxx	24,6 %	56,1 %	60,7 %	42,7 %	45,8 %	20,2 %
Hungary	x	x	xxx	21,2 %	70,1 %	74,4 %	55,1 %	58,2 %	8,5 %
Ireland	x	x	xxx	34,0 %	69,5 %	73,2 %	59,3 %	61,9 %	25,0 %
Italy		xxx	x	80,0 %	59,0 %	60,1 %	44,9 %	45,1 %	34,7 %
Holanda		xxx	x	78,5 %	78,2 %	81,8 %	62,6 %	65,5 %	17,1 %
Portugal		xxx	x	73,8 %	70,5 %	71,7 %	55,4 %	55,1 %	15,7 %
Slovak R.		xx	xxx	30,0 %	68,4 %	71,3 %	56,3 %	57,8 %	11,2 %
Spain	x	xxx	x	69,6 %	63,3 %	64,4 %	49,7 %	50,4 %	14,4 %
Sweden		xx	xxx	90,0 %	77,1 %	77,1 %	68,3 %	62,1 %	66,8 %
UK		x	xxx	26,6 %	75,2 %	-	60,9 %	-	23,7 %
Norway	x	xxx	x	69,5 %	75,3 %	77,7 %	61,8 %	63,9 %	49,3 %
Australia		x	xxx	59,5 %	74,3 %	77,3 %	62,5 %	64,2 %	15,0 %
Canada		x	xxx	28,2 %	74,6 %	75,8 %	62,3 %	62,1 %	29,4 %
Japan			xxx	16,7 %	77,6 %	78,9 %	60,6 %	61,2 %	17,2 %
USA		x	xxx	11,6 %	71,4 %	72,0 %	60,0 %	60,3 %	10,8 %
Chile			xxx	17,0 %	64,1 %	63,0 %	58,3 %	56,0 %	16,9 %

Note: Local level refers to the enterprise or workplace. Nwide = Nationwide collective bargaining, Swide = Sectoral collective bargaining. *Symbols used*: **X = indicates presence; XX = semi-dominant level; XXX = dominant level**. TS = Trade Union Density among the salaried population (ICTWSS). ER = Employment Rate (Employed / Working-Age Population), % CB = % of Collective Bargaining Coverage. – = No Information. In the case of ICTWSS, the variable used is adjusted coverage, defined as the proportion of employees in dependent employment covered by a collective labour instrument, relative to the number of dependent employees with bargaining potential (i.e., not theoretically excluded from collective bargaining). Sources: Authors' own elaboration based on ILOSTAT data for the employment rate. Data availability: for Canada, Japan, the United States, and Chile, the most recent data are from 2023; for all other countries, data refer to 2022. The figures presented for collective bargaining coverage and trade union density correspond to the most recent data available for each country (between 2015 and 2018). In the case of Chile, coverage falls to approximately 13 % when applying the adjustments proposed by Durán and Gamonal (2019). For further details on the measurement of collective bargaining in Chile, see the appendix.

The Latin American context is also diverse. On the one hand, Mexico and Chile are among the countries with the weakest outcomes, whereas Argentina, Brazil, and Uruguay display levels of collective bargaining coverage comparable to those found in high-income societies.

The preceding table presents information on the **level** at which collective bargaining takes place across selected OECD countries. Specifically, it indicates whether bargaining occurs at the national, sectoral, or local level, and the extent to which each level is predominant. The analysis leads to the following conclusions:

1. In the majority of countries (21 out of 23), collective bargaining takes place at more than one level; that is, multiple bargaining instances coexist, and no single level holds exclusive authority—as is the case in Chile and Japan. Specifically, in 14 of these 21 countries, bargaining occurs at both the sectoral and enterprise levels, while in the remaining 7, it takes place simultaneously at three levels: national, sectoral, and enterprise.

2. In most cases (again, 21 out of 23), there is the possibility of bargaining at the sectoral level (i.e., by branch of economic activity). Moreover, this structure is the predominant form of collective bargaining in 9 countries: Austria, Finland, Germany, Greece, Italy, the Netherlands, Portugal, Spain, and Norway.

3. There is a group of countries where collective bargaining occurs freely at all three levels—national, sectoral, and enterprise. These include Belgium, France, Greece, Hungary, Ireland, Spain, and Norway.

4. Regarding the relationship between employability (employment rate) and the percentage of workers covered by collective bargaining, the results do not indicate a clear or univocal correlation. On the one hand, the Nordic countries, which have high collective bargaining coverage, also exhibit very high employment rates. On the other hand, countries such as Italy and Spain—also characterised by high levels of collective bargaining coverage—show relatively lower employment rates. Nevertheless, in a separate OECD study, this relationship is examined using econometric techniques to identify causal links. The conclusion is robust: countries with centralised collective bargaining systems achieve better employment rates than those, such as Chile, where bargaining is fully decentralised[4].

[4] A comparison of employment and unemployment rates across OECD countries, according to their co-

5. In terms of the percentage of workers covered by collective bargaining, it can be concluded that the highest coverage rates are found in countries where sectoral (i.e., industry-level) bargaining is possible. For example, in Austria, Denmark, Spain, Norway, and Germany, the coverage rates are 98 %, 82 %, 70 %, 70 %, and 56 %, respectively. Conversely, the weakest systems are those in which collective bargaining takes place exclusively at the enterprise level, as is the case in Chile and Japan.

6. With regard to trade union density, the reported figures are calculated based on the salaried workforce. In this case, the Scandinavian countries exhibit the highest levels of union membership: Denmark 66.3 %, Finland 63.5 %, Norway 49.3 %, and Sweden 66.8 %. These levels of unionisation are not significantly different from those recorded in the same countries forty years ago. In the 1970s, Denmark averaged 68.2 %, Finland 62.7 %, Norway 54.3 %, and Sweden 73.4 %.

To conclude, the available comparative evidence shows that, in general, the predominant level at which collective bargaining takes place has remained relatively stable over time. Although the past 50 years have seen a global shift towards the decentralisation of collective bargaining, the data confirm that abrupt changes in the degree of centralisation are extremely rare[5]. The prevailing trend, rather, has been to incorporate local-level collective bargaining as an additional layer within the system, rather than to reduce it to the sole bargaining mechanism available to workers.

Data from the Amsterdam Institute for Advanced Labour Studies (AIAS) indicate that only Chile, Romania, and Ireland have undergone radical changes in the degree of centralisation. In all three cases, there has been a shift from a system in which sectoral bargaining existed to one in which bargaining takes place exclusively at the enterprise level (Level 1). In the case of Chile, there is evidence of a subsequent deterioration in income distribution (Durán, 2011).

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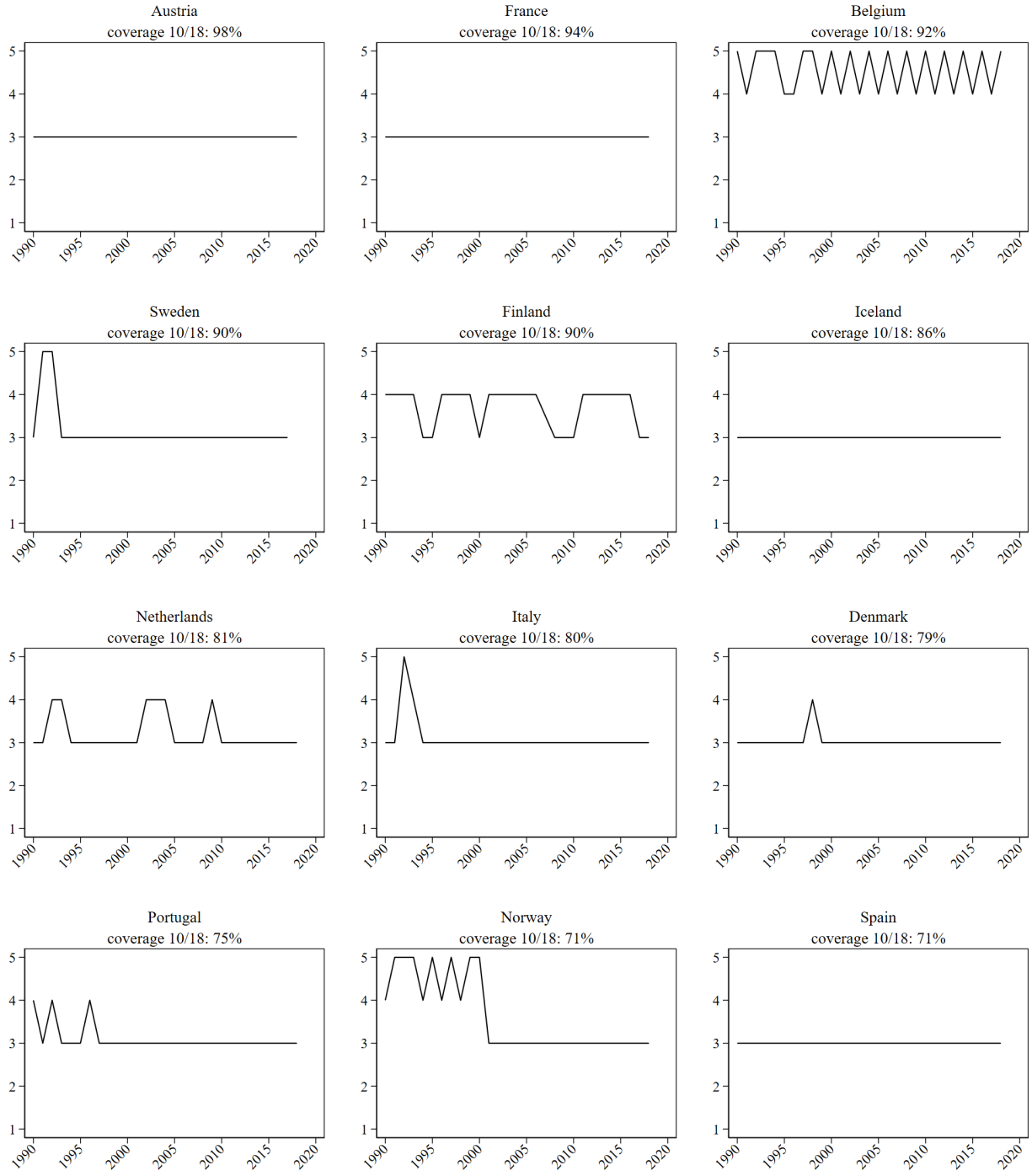
llective bargaining systems, reveals that predominantly centralised systems—as well as those classified as organised decentralisation (where sectoral bargaining exists)—are associated with more favourable employment outcomes. Specifically, these systems tend to achieve higher employment rates and, simultaneously, lower unemployment rates (OECD, 2019)

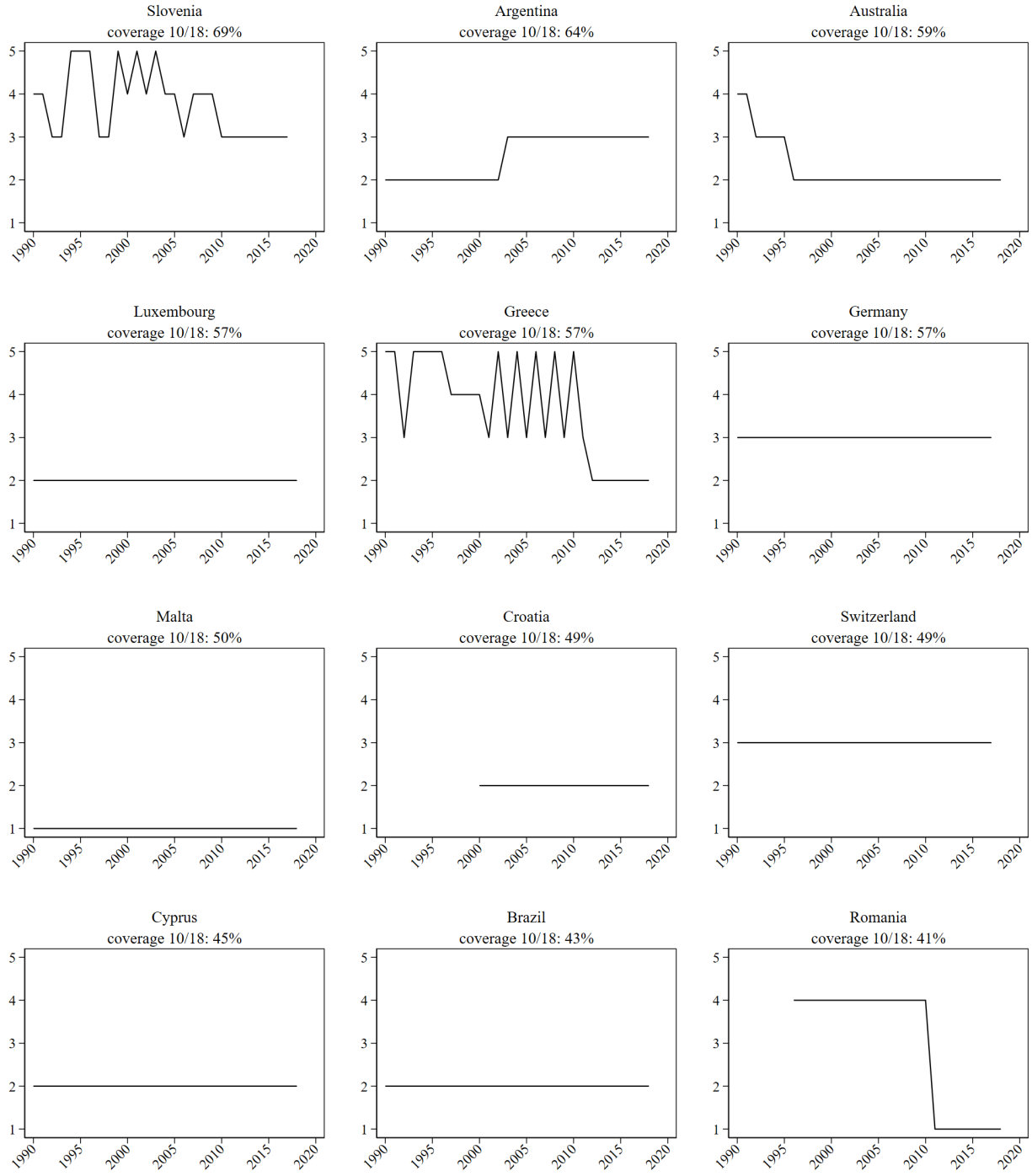
[5]The scale for predominant bargaining level used by the ICTWSS database of the AIAS-OECD is as follows:
Level 5 – wage bargaining takes place at the national level between social partners;
Level 4 – bargaining alternates between the national level and the sectoral (industry) level;
Level 3 – bargaining occurs at the sectoral level;
Level 2 – bargaining alternates between the sectoral level and the enterprise level;
Level 1 – bargaining takes place exclusively at the enterprise level.

Figure 11: Levels and changes in the level of collective bargaining, 1990 - 2018



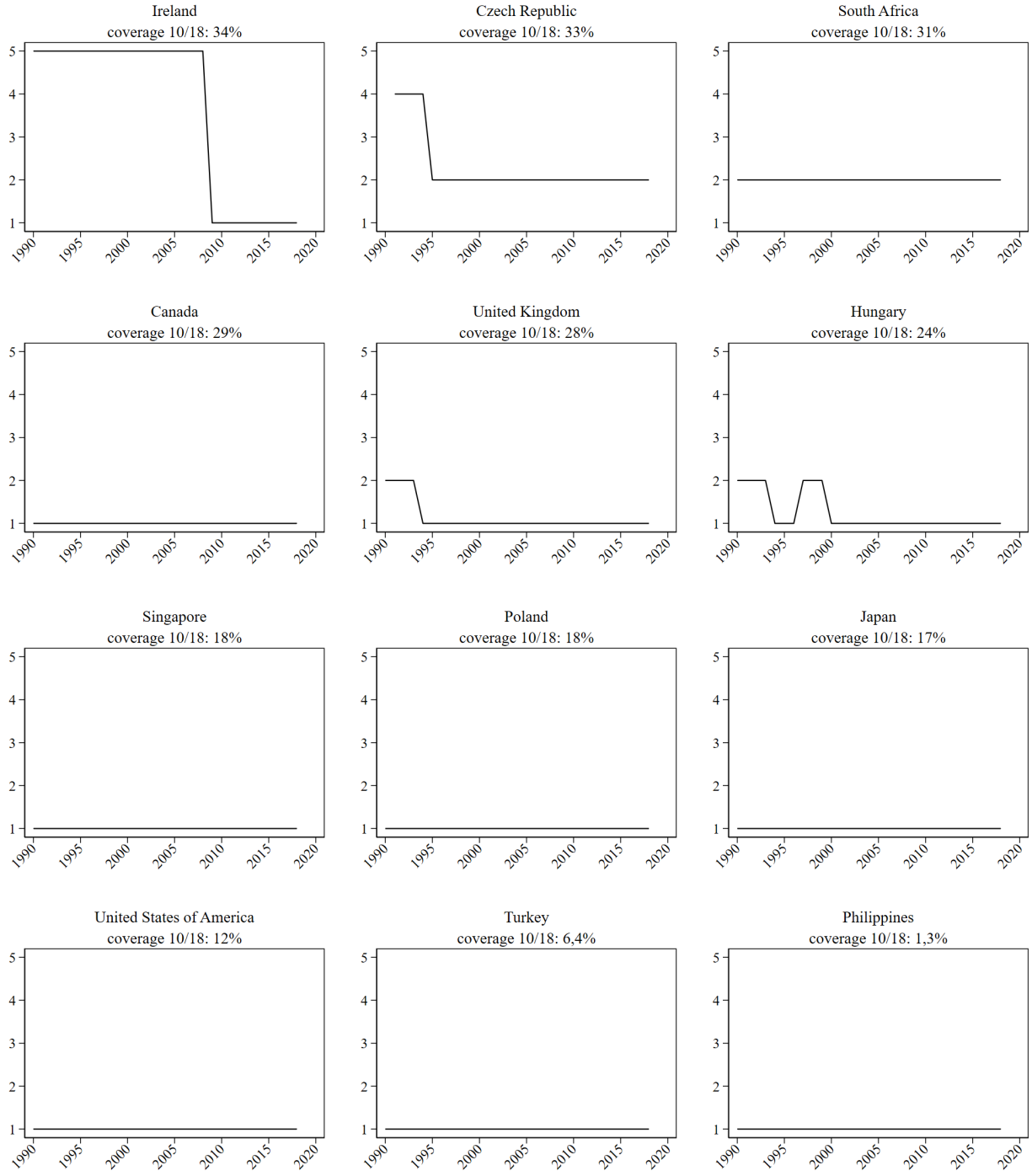
Source: Authors' own elaboration based on the ICTWSS database. The coverage figures indicated in the subtitles of each sub-graph refer to the average between 1990 and 2018. The variable used is adjusted coverage, defined as the proportion of employees in dependent employment who are covered by a collective labour instrument, relative to the number of dependent employees with bargaining potential (i.e., not theoretically excluded from collective bargaining).

Figure 12: Levels and changes in the level of collective bargaining, 1990 - 2018



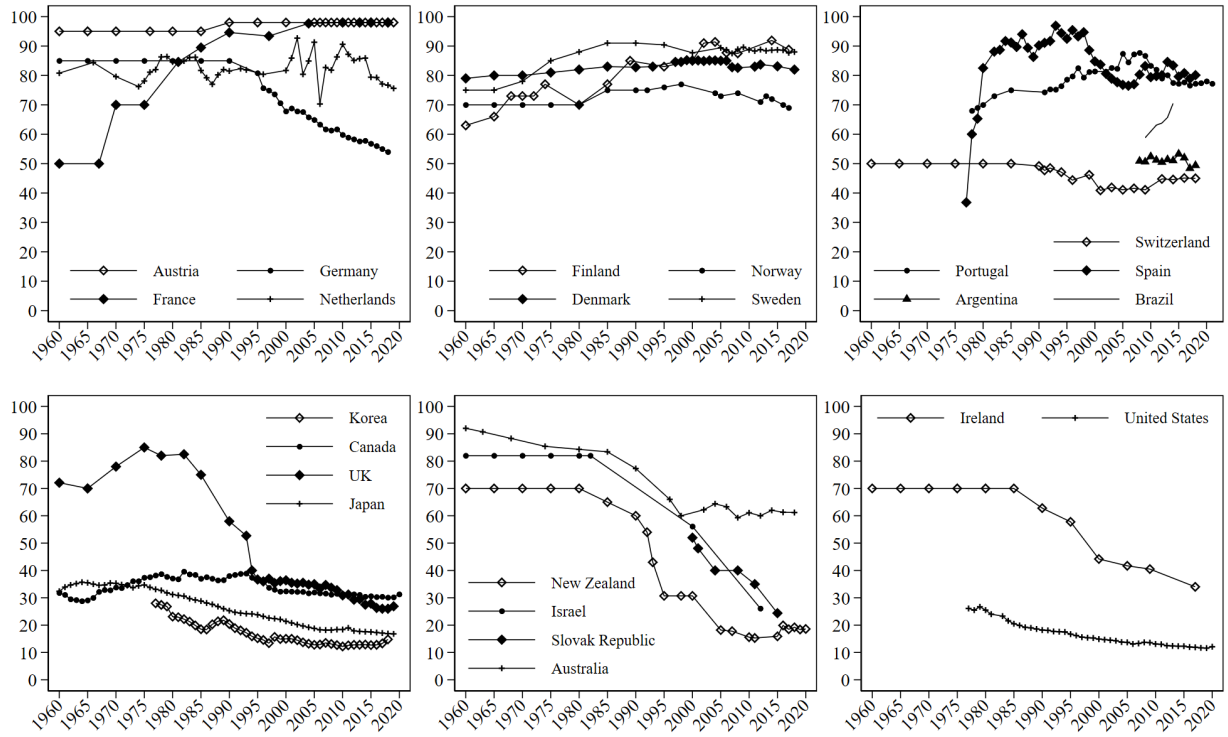
Source: Authors' own elaboration based on the ICTWSS database. The coverage figures indicated in the subtitles of each sub-graph refer to the average between 1990 and 2018. The variable used is adjusted coverage, defined as the proportion of employees in dependent employment who are covered by a collective labour instrument, relative to the number of dependent employees with bargaining potential (i.e., not theoretically excluded from collective bargaining).

Figure 13: Levels and changes in the level of collective bargaining, 1990 - 2018



Source: Authors' own elaboration based on the ICTWSS database. The coverage figures indicated in the subtitles of each sub-graph refer to the average between 1990 and 2018. The variable used is adjusted coverage, defined as the proportion of employees in dependent employment who are covered by a collective labour instrument, relative to the number of dependent employees with bargaining potential (i.e., not theoretically excluded from collective bargaining).

Figure 14: Collective bargaining coverage 1960 - 2020



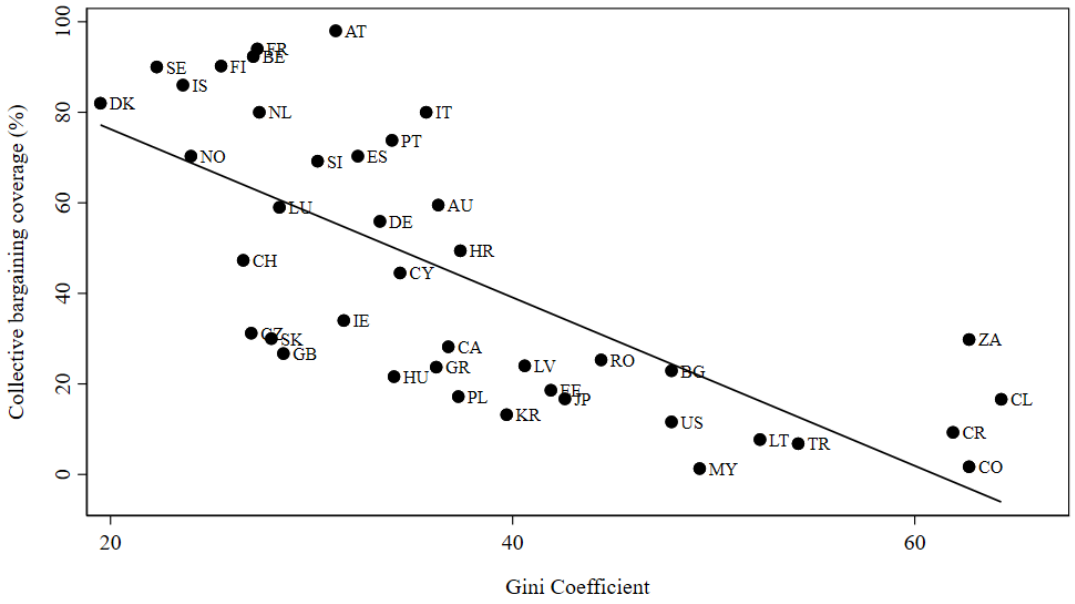
Source: Authors' own elaboration based on OECD-AIAS, ICTWSS (September 2023). The variable used is adjusted coverage, defined as the proportion of employees in dependent employment who are covered by a collective labour instrument, relative to the number of dependent employees with bargaining potential (i.e., not theoretically excluded from collective bargaining).

Figure 14 presents longer time series, which, in the case of some countries, span up to 60 years. Overall, it can be observed that Scandinavian and Western European countries exhibit high levels of collective bargaining coverage with relatively low variability over time. This pattern also extends to South American countries such as Argentina and Brazil. In contrast, statistically significant declines in coverage can be observed in Anglo-Saxon countries —those that embody a decentralised bargaining model— as well as in South Korea and Japan.

4. Collective bargaining and income inequality

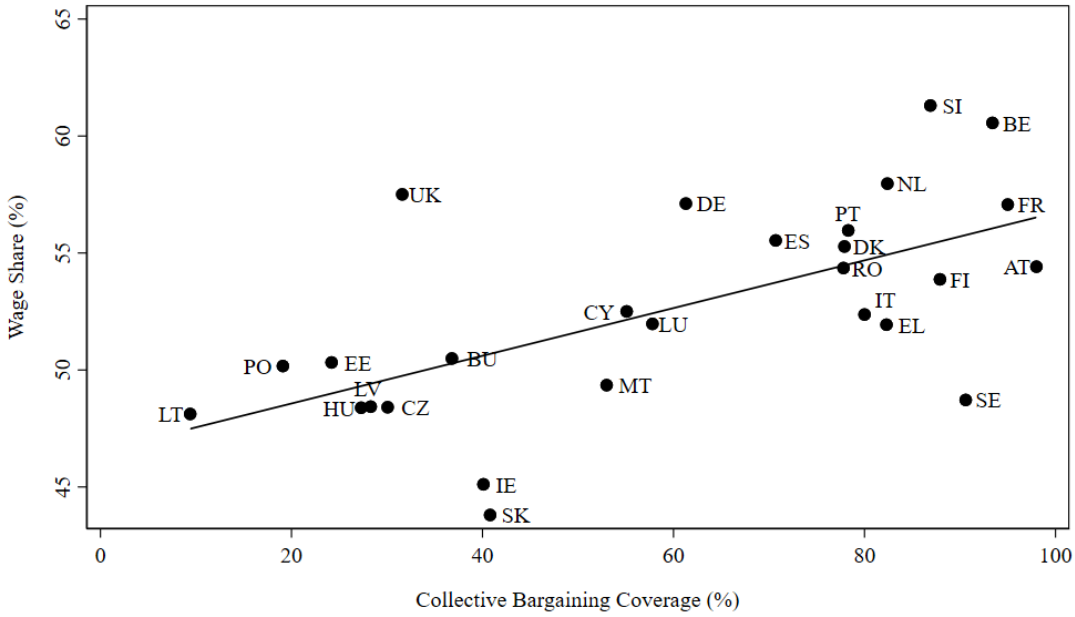
The direct relationship between trade union decline and worsening income distribution is clearly illustrated in Figures 15, 16, and 17: the higher the percentage of workers engaged in collective bargaining, the lower the level of inequality—whether measured by the Gini coefficient, the share of wages in Gross Domestic Product, or the proportion of low-wage earners in each country. This relationship has been the subject of intense academic debate, particularly concerning the establishment of causal links and the dismissal of spurious correlation hypotheses. Although it remains a subject of debate, there is a substantial body of scientific research supporting the hypothesis of causality.

Figure 15: Collective bargaining and Gini coefficient of disposable income



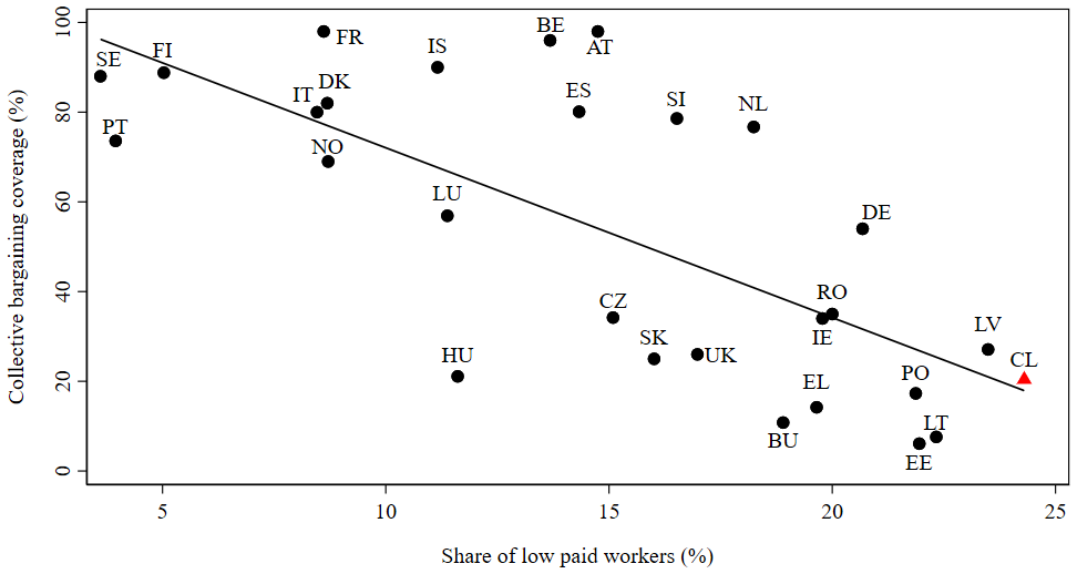
Source: Authors' own elaboration based on ICTWSS and WID data. Values correspond to the average for the period 2014–2021. For ICTWSS, the variable used is `adjusted coverage`, defined as the proportion of employees in dependent employment who are covered by a collective labour instrument, relative to the number of dependent employees with bargaining potential (i.e., not theoretically excluded from collective bargaining). For WID, the variable used is `gdinc`, defined as the Gini coefficient of disposable income, or income after taxes.

Figure 16: Wage share of GDP and collective bargaining



Source: Durán (2022). Adaptation of Figure 1 from Keune (2021), using data from AMECO and ICTWSS. The sample includes EU27 countries, and the period corresponds to the average values between 2000 and 2018. Author's own translation.

Figure 17: Collective bargaining and low wage indicator



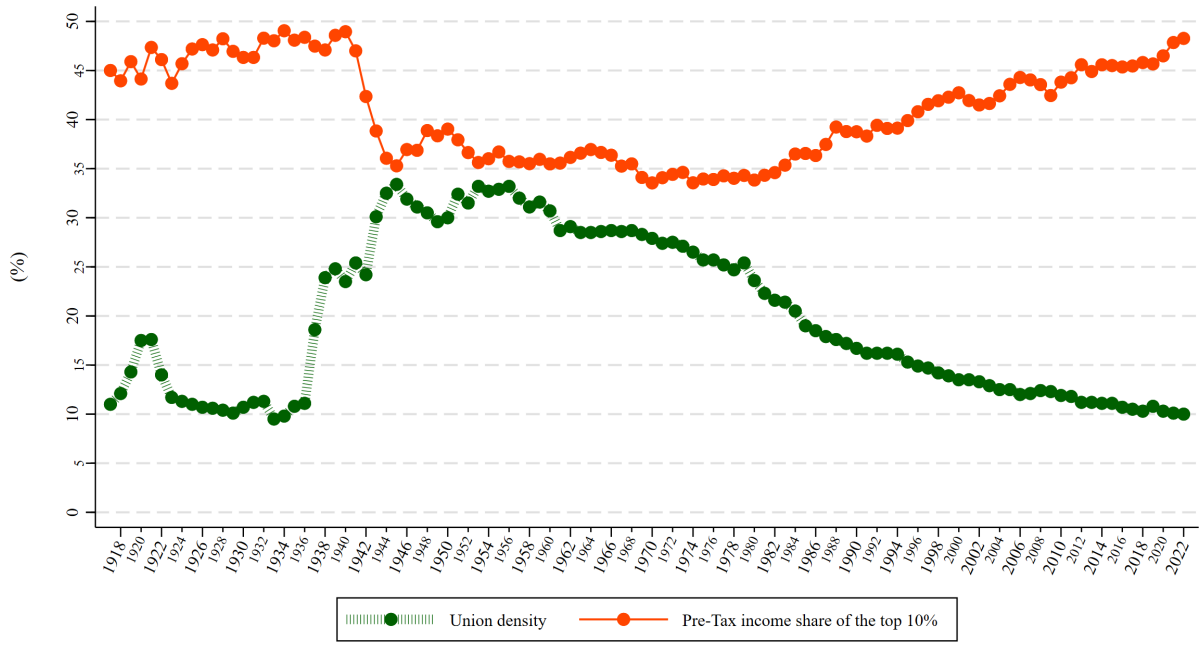
Source: Durán (2022). Adaptation of Figure 2 from Bosch (2019), using data from EUROSTAT and ICTWSS. Chile has been included using ESI data and a methodology similar to that of EUROSTAT. Author's own translation.

Richard Freeman (1991) studied the decline in unionisation during the 1980s in the United States and found that between 40 % and 50 % of the increase in the wage gap in favour of white-collar employees was attributable - on a causal basis - to the fall in union membership. Just two years later, Card (1992) also conducted a study on the United States, examining the link between trade unions and wage distribution. He estimated that deunionisation could explain approximately 20 % of the increase in wage dispersion among men between 1973 and 1987. These findings are consistent with other studies, such as that of Gosling and Machin (1993), who, using data on semi-skilled workers, concluded that during the 1980s, between 15 % and 20 % of the rise in income inequality was due to the decline in trade union density.

Several studies published over the past two decades also support this relationship. According to Mishel (2012), deunionisation accounts for 33 % of the rise in wage inequality among men in the United States between 1973 and 2007. In another study, David Cooper and Larry Mishel argue that the erosion of trade union activity in the United States is one of the key factors explaining the growing wage–productivity gap. In Canada, Card et al. (2004) concluded that 20 % of the increase in wage inequality among men in recent decades can be attributed to the decline in union density. A similar conclusion is reached by Dustmann et al. (2007), who found that 28 % of the rise in wage inequality in Germany is explained by deunionisation.

Figure 18 also illustrates the relationship between the erosion of collective rights and income inequality. Specifically, it presents the case of the United States and traces the evolution of two indicators over more than 100 years: trade union density and the pre-tax income share held by the richest 10 % of the population. The data reveal that the current combination of high inequality and low union density resembles that observed over a century ago. Conversely, when union density reached its peak during the post-war period (1945–1970), income inequality dropped to its lowest point in the historical series.

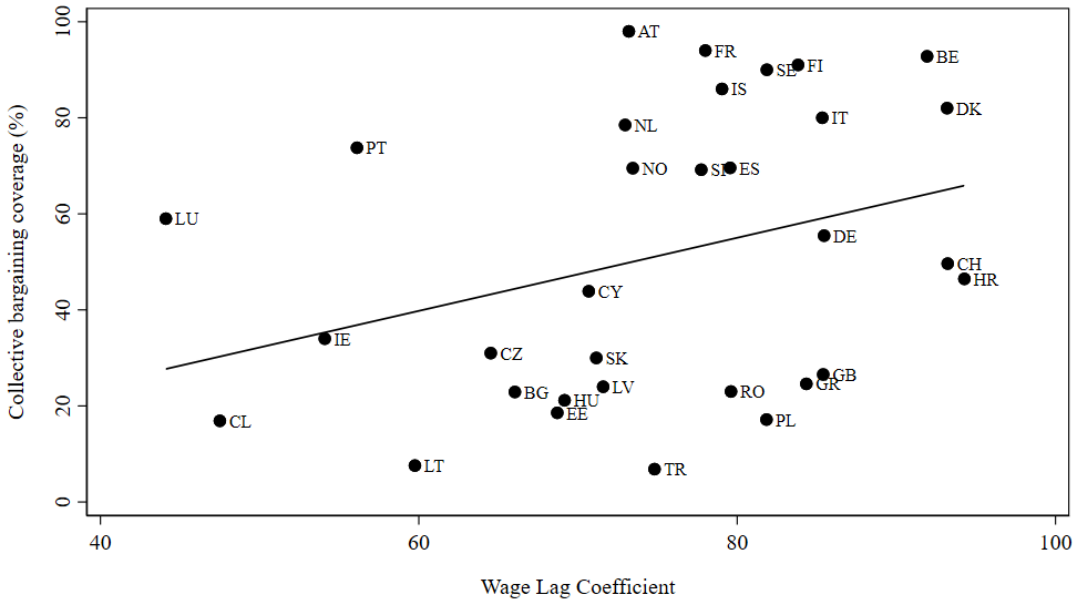
Figure 18: Trade Union Density in the United States and the Pre-Tax Income Share of the Top 10 %, 1918–2022



Source: Author's own elaboration based on the WID Database and unionstats.com. For trade union density: Historical Statistics of the United States (unionstats.com) and EPI: 'As union membership has fallen, the top 10 percent have been getting a larger share of income', available at https://www.epi.org/publication/as-union-membership-has-fallen-the-top-10-percent-have-been-getting-a-larger-share-of-income/

Finally, Töngür and Yavuz (2013), using data gathered through the Inequality Project at the University of Texas, confirm econometrically causal links between deunionisation and rising income inequality in OECD-24 countries. The authors also compile evidence for certain countries suggesting a bidirectional causality, which complicates the analysis by reinforcing a regressive dynamic: deunionisation worsens income distribution, while rising inequality, in turn, negatively affects workers' decisions to unionise.

Figure 19: Wage lag and collective bargaining



Note: The Wage Lag Coefficient is defined here as the ratio between the median wage and the monthly per capita income. Source: Authors' own elaboration based on data from WEO-IMF (October 2023 update) and ICTWSS. Values correspond to the average for the period 2014–2021. For ICTWSS, the variable used is adjusted coverage, defined as the proportion of employees in dependent employment who are covered by a collective labour instrument, relative to the number of dependent employees with bargaining potential (i.e., not theoretically excluded from collective bargaining). Values correspond to the 2015–2018 average, due to data availability: this is the period for which complete and relatively recent information is available. For WEO-IMF, GDP per capita is used with 2018 as the reference year. The median wage, also from 2018 and expressed in euros, comes from the EUROSTAT EU-SILC database, which is published every four years (full coverage at four-year intervals from 2002 to 2018). GDP per capita was extracted in current US dollars and converted using the implicit exchange rate provided by the WEO-IMF database.

Weak collective bargaining is one of the key drivers of poor income distribution. Whether low-coverage collective bargaining, lacking a meaningful role in wage-setting, acts as a barrier to wage increases remains a hypothesis to be tested. Figure 19 shows that countries with the lowest levels of collective bargaining coverage also tend to display the most adverse indicators of actual wage lag[6].

[6]For further information on the Wage Lag indicator, see Fundación SOL's studies 'The Real Wages of Chile (2023)' and 'Wages at the Limit: Wage Dispossession in Chile (2024)'.

5. Conclusions

At the outset of this study, we sought to understand the characteristics of trade unionism in contemporary Chile. Based on a review of official data sources from the Chilean state and international organisations, we have confirmed trends already identified in previous studies—namely, a low unionisation rate, high levels of fragmentation, and predominantly small-sized unions.

The data show that, nearly 45 years after the introduction of the so-called Labour Plan under the dictatorship, collective bargaining and union density have failed to progress toward more inclusive frameworks that encompass a broader segment of the working class.

This situation has direct consequences in preventing the emergence of wider distributive effects at the macroeconomic level. Put differently, the system of labour relations imposed during the dictatorship—and sustained by successive post-Pinochet governments—does not allow wages to be collectively determined across the economy. In most cases, they are unilaterally set by employers. This does not have to be the case. It is not so in other countries, nor was it always so in Chile's own history. According to the specialist literature, Chile has a highly decentralised bargaining system that fails to generate distributive outcomes.

In its 2019 report, the OECD noted that countries with systems similar to Chile's tend to perform worse in terms of employment and unemployment rates, compared to those with more inclusive configurations where sectoral-level bargaining is present.

International evidence suggests that this situation cannot be resolved unless the level at which collective bargaining occurs is changed. In order to expand coverage and ensure that more workers can benefit from income-distributive collective bargaining, a system is needed in which bargaining at the sectoral or industry level is the prevailing structure. This is the case in most OECD countries, and also in several Latin American societies, including Uruguay, Argentina, and, to a certain extent, Brazil.

Appendix

On the Coverage of Collective Bargaining and Its Measurement in the Chilean Context

In Chile, there is no official figure indicating the percentage of workers participating in active collective bargaining processes. This limitation has led to the emergence of various measurement approaches.

The Labour Directorate (Dirección del Trabajo) does publish annual data on the number of workers who are part of a collective bargaining agreement and therefore fall under its coverage. This figure, referred to as the 'initiators', serves as an approximation. Based on this data, the Labour Directorate itself (although not in its Compendium or Yearbooks) has, over the years, estimated collective bargaining coverage by summing the number of initiators over a two-year period. This total is then compared with the overall or potential number of workers eligible for collective bargaining. This is the figure presented in Graph 3.

For many years, the Labour Directorate did not publish the total number of individuals covered by collective agreements beyond the initiators, which led to the biennial method being the most commonly used estimation technique.

Organisations such as the OECD and ILOSTAT later adopted and expanded upon this method. Instead of using a two-year window, they extended the calculation to cover three and even four years—reflecting the maximum possible duration of collective agreements. This methodological change resulted in an immediate increase in estimated coverage, which helps explain the discrepancies observed between Graph 3, Graph 10, and Table 2.

In their 2019 publication, Durán and Gamonal critically examine these different measurement strategies and propose a correction to the OECD and ILO's rolling three- and four-year method. Their key concern is the assumed employment stability underlying these longer time frames. When adjusting for employment instability—following the logic originally raised in the 1990s by Maturana and Mac-Clure in relation to the biennial method—Durán and Gamonal estimate that the actual coverage in 2019 would be closer to 13 %.

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This work was made possible thanks to funding from citizen microdonations
More information in https://www.fundacionsol.cl/dona-ahora

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